



Thrift Savings Plan HIGHLIGHTS

April 2010

Have money in IRAs or other plans?

You can simplify the management of your retirement savings when you transfer or roll over your traditional IRAs or other eligible employer plans (e.g., 401(k) plans) into your TSP account.

One major advantage of consolidating your retirement investments in the TSP is the very low administrative expense ratio — in 2009, you would have paid just .028%, or \$0.28 for every \$1,000 in your TSP account. Check to see what you are paying to keep your money in an IRA or eligible plan. You may be surprised to learn that investment management fees are eating away at your returns.

The requirements are simple. You can make the transfer as long as:

- You have an open TSP account;
- The money you want to move is before-tax money; and
- The money is an “eligible rollover distribution” for Federal income tax purposes.

To request a transfer or learn more about eligibility requirements, get Form TSP-60, Request for a Transfer Into the TSP (TSP-U-60, for members of the uniformed services). You can find the form in Forms and Publications on the TSP website, www.tsp.gov.

The TSP is as good as it gets!



A Tale of Two Investors

TSP participants, as any group of investors, manage their retirement funds in very different ways. Some participants invest only in the “safest” fund throughout their careers — the Government Securities Investment (G) Fund. Other participants invest in one or more of the other TSP funds, choosing an investment mix (or Lifecycle (L) Fund) that makes sense for their age and retirement goals, and then stick to that strategy. Still other participants jump from one fund to another, reallocating their investments based on market conditions. In this article, we take a look at the investment decisions of the last two types of participants.

The steady strategist. At age 40, Lois expects to retire in 25 years, and figures that her TSP account will provide the bulk of her income in retirement. She is attracted by the TSP’s L Funds, which offer a professionally diversified mix of all the TSP’s individual investment fund options, and decrease her exposure to risk as she nears retirement. She has invested her entire account and her future contributions in the L 2040 Fund.

Lois did not panic when she saw that the return on her L 2040 Fund investment during 2008 was –31.53%. She had seen dips in investment returns before, followed by periods of recovery. Plus, her time horizon is 2040, and she knew she had time to ride out the downturn. She was therefore very pleased to see on the TSP website that the L 2040 Fund’s 12-month return at the end of February 2010 was 47.08%. Also, Lois knows that her bi-weekly TSP contributions are allowing her to take advantage of “dollar cost averaging.” As a result, her contributions buy more shares when market prices are low (like buying shares on sale) and fewer shares when market prices are high, giving her a lower purchase price per share than the average price of shares over time.

The impulsive investor. Joe is also 40 years old, with 25 years to retirement. He was invested in the Common Stock Index Investment (C) Fund for a number of years and had been happy with his returns. Then in 2008, Joe experienced a 36.99% loss in his account. After an additional loss of just over 19% between January and February of 2009, Joe had had enough and jumped into the safe haven of the G Fund, which earned 2.97% for that year. After Joe had jumped out of the C Fund, it recovered and earned 26.68% for the year.

When Joe received his 2009 annual participant statement in the mail, he was confused to see that his Personal Investment Performance was approximately –13.0%, even though every one of the TSP funds had a positive 2009 annual return. What happened to Joe is not unusual when investors react to short-term market conditions. He sold his C Fund shares when their value was low, and therefore lost any opportunity to recover his loss when the C Fund rebounded. Joe’s C Fund nightmare is a perfect illustration of the price of bad timing. But should Joe give up on investing in the more volatile TSP funds? Absolutely not. Stocks have performed significantly better than bonds and Treasury securities over the long haul. Joe just needs to learn about diversification, and he needs a plan.

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TSP website:
www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S. and Canada: 404-233-4400

TDD: 1-TSP-THRIFT5
(1-877-847-4385)

A Tale of Two Investors *(Continued from front)*

Like Joe, if you haven't already done so, you should sit down and develop a plan. Since April is Financial Literacy Month, now's a great time to assess your personal situation in several areas:

- **How much time have you got until you need your money in retirement?** If you have a longer time horizon, you may want to take on more risk in your TSP investments. More time allows you to bounce back from losses you might experience in the short term.
- **How much risk is comfortable for you?** Joe panicked after a few months of excessive losses in his C Fund equity investment because he had put his entire account there. He might have felt more comfortable about investing in the C Fund if he had balanced those investments with S and I Fund equity investments, as well as with more stable G and F Fund investments. (The L Funds do this for you!)
- **Do you really need to diversify your account investments?** First, you need to ask yourself whether the G Fund alone will allow your account to grow to the size you will need to sustain you in retirement. If not, perhaps you should consider some of the other TSP fund options if your time horizon allows. When you diversify, or spread your money among different kinds of investment funds, you improve your chances of better returns over time without risking that your

entire account will be severely affected by dramatic losses in any single fund. The TSP funds are diversified on two levels: (1) they are invested in index funds that track a different segment of the overall financial market without overlapping, and (2) each of the funds is diversified within its particular market segment. For example, the C Fund is invested in an index fund that represents all of the stocks in the Standard & Poor's 500 (S&P 500) Index.

- **What is the best way to diversify?** You need to ask yourself whether you have the knowledge, interest, and time to manage your account. The TSP has taken the time and guesswork out of these decisions by creating the L Funds. To invest in an L Fund, you just choose the L Fund that is targeted toward the year you'll need your money in retirement. Your investment mix is automatically adjusted to become more conservative as your target date approaches.

Whether you decide that riskier investments are not for you, or you choose to put your investments on auto pilot with one of the L Funds, or you consult an investment advisor for a strategy that makes sense for you, you should be sure that you have a plan. Your comfort in retirement depends on the choices you make now.

Learn more about the TSP funds at www.tsp.gov.



Rates of Return										
	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2010										
Jan	- 2.88%	- 2.49%	- 2.03%	- 0.58%	- 0.45%	0.29%	1.54%	- 3.60%	- 2.43%	- 5.17%
Feb	2.18	1.94	1.61	0.81	0.74	0.24	0.38	3.11	4.89	0.06
Annual 2000 - 2009										
2000	-	-	-	-	-	6.42%	11.67%	- 9.14%	-	-
2001	-	-	-	-	-	5.39	8.61	- 11.94	-	-
2002	-	-	-	-	-	5.00	10.27	- 22.05	- 18.14	- 15.98
2003	-	-	-	-	-	4.11	4.11	28.54	42.92	37.94
2004	-	-	-	-	-	4.30	4.30	10.82	18.03	20.00
2005	-	-	-	-	-	4.49	2.40	4.96	10.45	13.63
2006	16.53	15.00	13.72	11.09	7.59	4.93	4.40	15.79	15.30	26.32
2007	7.36	7.14	6.87	6.40	5.56	4.87	7.09	5.54	5.49	11.43
2008	- 31.53	- 27.50	- 22.77	- 10.53	- 5.09	3.75	5.45	- 36.99	- 38.32	- 42.43
2009	25.19	22.48	19.14	10.03	8.57	2.97	5.99	26.68	34.85	30.04
<p>The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued investment management fees. Additional information about the TSP funds, the related indexes, and their respective 1-, 3-, 5-, and 10-year returns can be found in the TSP Fund Information sheets on the TSP website.</p> <p>The L Funds, which are invested in the individual TSP funds (G, F, C, S, and I), were implemented on August 1, 2005; therefore, the first annual returns are for 2006. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.</p>										

